

VZCZCXR07199
RR RUEHMA RUEHPA
DE RUEHRY #0134 1151342
ZNR UUUUU ZZH
R 241342Z APR 08
FM AMEMBASSY CONAKRY
TO RUEHC/SECSTATE WASHDC 2440
INFO RUEHZK/ECOWAS COLLECTIVE
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS CONAKRY 000134

SIPDIS

DEPT FOR AF/W
DEPT FOR EB/IFD/OMA
DEPT PLEASE PASS TO USTR FOR LAURIE ANN AGAMA
DEPT PLEASE PASS TO COMMERCE FOR SALIHA LOUCIF
TREASURY FOR OFFICE OF AFRICAN NATIONS

SIPDIS

E.O. 12598: N/A
TAGS: [ECON](#) [EPET](#) [PGOV](#) [GV](#)
SUBJECT: END OF GAS SUBSIDY NOT NIRVANA FOR GUINEA

¶11. (SBU) SUMMARY. The termination of the gasoline subsidy on April 1 has not led to the projected increase in revenue to the government. END SUMMARY.

¶12. (SBU)) On April 23, Econoff met with Elhadj Alpha Yaya Diallo, the Chef de Bureau for the gasoline depot in Conakry. Diallo stated that the termination of the gasoline subsidy on April 1 has not led to the expected increase in revenue to the government.

¶13. (SBU) Mr. Diallo stated that the reasons for the reduced revenue are varied. He said the 62% increase in the price of gas has led to a 30% reduction in consumption. Siaka Bakayoko is the World Bank resident representative in Conakry. Mr. Bakayoko states that prior to the termination of the subsidy, Siguiri, a town near Mali with a population of about 50,000 residents, had about the same gasoline usage as Conakry, a city of about 2 Million. He said this might reflect the effect of smuggling the subsidized gasoline. Mr. Diallo said that the new price had resulted in a reduction in smuggling.

¶14. (SBU) The Chef de Bureau also blamed the petroleum companies for taking advantage of the price hike to increase their profits. He revealed that the petroleum companies almost doubled their per liter profit 200 Gnf to 350 Gnf (.04 USD to .07 USD). The gas transport charge almost doubled, 200 Gnf to 380 Gnf (.04 USD to .08) per liter, and the profit margin at the stations went from 100 Gnf to 200 Gnf (.02 USD to .04 USD) per liter. (NOTE: Gasoline company profit margins currently account for Thirteen percent of the cost of a liter of gas, up from Eleven percent pre-termination. END NOTE.)

¶15. (SBU) Mr. Diallo claimed that the failure to reach revenue estimates has impacted the mitigation measures demanded by the unions, and agreed to by the government. (NOTE: These measures included wage and transportation allowance increases. END NOTE.) The Chef shared with Econoff GOG documents that show the monthly additional total revenue from the end of the subsidy is now projected to be about Nineteen Billion Gnf (4,200,000 USD). This is significantly less than the Forty Three Billion Gnf (9.5 million USD) that the unions projected prior to the termination. The Chef de Bureau claims that the unions used the higher figure to wring mitigation measures out of the government, but now the government does not have the money to pay for them.

COMMENT

¶16. COMMENT: The end of the gasoline subsidy promised a new revenue stream for the government. Instead, thanks to the elastic response of the consumers, and the increased profit margins for the petroleum companies, the stream is more like a small creek. This adds more

pressure to the government because it took on additional spending commitments, for example, salary augmentation for civil servants, and increased transportation allowances, based upon the enhanced revenue stream. END COMMENT.

CARTER